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UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES

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*Ex parte* DANIEL PROHASKA and THOMAS PROHASKA

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Appeal 2009-001098  
Application 09/858,145  
Technology Center 3600

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Before, LINDA E. HORNER, MURRIEL E. CRAWFORD and JOSEPH A. FISCHETTI, *Administrative Patent Judges*.

FISCHETTI, *Administrative Patent Judge*.

DECISION ON APPEAL

The two-month time period for filing an appeal or commencing a civil action, as recited in 37 C.F.R. § 1.304, or for filing a request for rehearing, as recited in 37 C.F.R. § 41.52, begins to run from the “MAIL DATE” (paper delivery mode) or the “NOTIFICATION DATE” (electronic delivery mode) shown on the PTOL-90A cover letter attached to this decision.

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### STATEMENT OF THE CASE

Appellants seek our review under 35 U.S.C. § 134 of the Examiner's final rejection of claims 1-3, 5, 6, 11-21, and 24-67. Claims 4, 7-10, 22, 23 and 68-77<sup>1</sup> are canceled. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

### SUMMARY OF DECISION

We AFFIRM and enter a NEW GROUND OF REJECTION pursuant to our authority under 37 C.F.R. § 41.50(b).

### THE INVENTION

Appellants claim a method for providing a benefit from a benefit provider, such as an asset management entity, to an entity such as a client, while also providing a service to the client, such as a legal service, from a separate service provider whereby by the service provider is compensated by the benefit provider. (Specification 1:5-8)

Claim 1, reproduced below, is representative of the subject matter on appeal.

1. A method of conducting transactions, comprising:

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<sup>1</sup> Appellants withdraw the request for review of the 35 U.S.C. § 101 rejection of claims 68-77. (Reply Brief 6). On return of the application to the Examiner, the Examiner should cancel withdrawn claims 68-77.

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a first entity providing a first type of service to a second entity; the first entity referring the second entity to a third entity for performing a first benefit for the second entity, the first entity not accepting fees for referring the second entity to the third entity and further not performing the first benefit for the second entity; the third entity performing the first benefit for the second entity, the third entity accepting fees from the second entity for providing the first benefit; and the third entity compensating the first entity for the first type of service the first entity provides to the second entity from fees the third entity charges the second entity for providing the first benefit.

## THE REJECTION

The Examiner relies upon the following as evidence of unpatentability:

"traditional business model" – applicant-admitted prior art, instant specification page 2 lines 10-26 (paragraphs 0004-0005 of the instant US PG Pub 20020023030).

The following rejection is before us for review.

The Examiner rejected claims 1-3, 5, 6, 11-21 and 24-67 under 35 U.S.C. § 103(a) as being unpatentable over the "traditional business model" of the Applicant's admitted prior art ('AAPA').

## ISSUE

Did the Examiner err in rejecting claims 1-3, 5, 6, 11-21 and 24-67 on appeal as being unpatentable under 35 U.S.C. § 103(a) over "*traditional business model*" on the grounds that a person with ordinary skill in the art

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would understand that compensation can only travel from the third entity to compensate the first entity because the finite number of identified potential payors from whom the first entity can be paid is exhausted by limitations placed on the second entity.

Are claims 1-3, 5, 6, 11-21, 24-33, 36-60, 63-67 patent eligible under 35 U.S.C. § 35 U.S.C. § 101?

## FINDINGS OF FACT

We find the following facts by a preponderance of the evidence:

1. We adopt the Examiner's findings as our own as set forth in the Answer on pages 4-9.
2. The Background of the Invention in Appellants' Specification contrasts the more desirable ongoing revenue stream arrangement of the financial service benefit provider with the one time fee for service arrangement of the attorney entity, stating:

[i]n contrast, the attorney 110, who is often principally responsible for designing the overall wealth planning plan for the client 100, might only receive the initial fee 118 for rendering the initial planning services 115. The rules governing the conduct of attorneys in most jurisdictions prevent attorneys from receiving fees from the benefit provider 120 or from the client 100 for making the referral. Accordingly, the benefit provider 120 receives a continuous, and potentially large revenue stream 128 that originated from the expertise in wealth planning initially provided by

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the attorney 110 as well as the benefit of the referral by the attorney.

(Specification 2: 27-3: 2).

3. The Detailed Description of the Invention in Appellants' Specification describes:

...the attorney 210 is compensated only for providing legal services. The compensation is provided on a periodic basis, for example, annually or biannually. The compensation may include payment for the initial services, such as wealth planning services rendered to the client 200 prior to the client 200 having established a relationship with the benefit provider 220.

(Specification 11:18-22).

## ANALYSIS

We affirm the rejection of claims 1-3, 5, 6, 11-21, and 24-67 under 35 U.S.C. § 103(a), and enter a new ground under 35 U.S.C. § 101 as to claims 1-3, 5, 6, 11-21, 24-33, 36-60, 63-67.

Initially, we note that the Appellants argue the subject matter of independent claims 1, 37, 65-67 together as a group (Appeal Br. 20-21). Correspondingly, we select representative claim 1 to decide the appeal of these claims, remaining independent claims 37, 65-67 standing or falling with claim 1.

Appellants' primary argument to the 35 U.S.C. § 103(a) rejection is that "... although it may be 'obvious to try' to invent a method of doing

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business that avoids illegal actions, the Examiner has not shown that this particular solution as embodied by the claims is itself obvious.” (Appeal Br. 20).

In support of this contention, Appellants maintain that the Examiner failed to follow Examination Guidelines set forth at 72 Fed. Reg. at 57526-27 which require, for “obvious to try” findings, that the Examiner articulate:

- (1) a finding that at the time of the invention, there had been a recognized problem or need in the art, which may include a design need or market pressure to solve a problem;
- (2) a finding that there had been a finite number of identified, predictable potential solutions to the recognized need or problem;
- (3) a finding that one of ordinary skill in the art could have pursued the known potential solutions with a reasonable expectation of success; and
- (4) whatever additional findings based on the Graham factual inquiries may be necessary..."

(Appeal Br. 12).

Appellants however only assert deficiencies to items 1 and 2 of these guidelines. (Reply Brief 12-14).

We find that although the Examiner did not use the exact format of the proposed guidelines, he nevertheless made findings sufficient to satisfy their substantive requirements. That is, the Examiner found that the recognized problem or market pressure to solve was the prohibition of paying a referral fee from a non-lawyer entity to a lawyer entity. (Appeal Br. 4-5). Understanding this, the Examiner concluded that “it would have been

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obvious to one of ordinary skill at the time of the invention to have provided funds/value from 3 to 1 in the form of a gift or a dinner or an amount of money without calling it a referral fee." (Appeal Br. 5)

Appellants however argue that the Examiner has mischaracterized the payment by the third entity benefit provider to the first entity service provider as a referral fee, stating:

[i]nstead, disclosed embodiments of Appellant's methods and systems propose a new arrangement of service providers and take a fresh look at methods by which service providers may be compensated. See Specification page 8, lines 7-9 ("... fees for those ongoing services performed by the attorney 210 will be paid from the benefit provider 220 under a defined schedule.").

(Reply Brief 13).

We disagree with Appellants that the payment by the third entity benefit provider to the first entity service provider does not, at least in some part, constitute a referral fee. This is because the Background of the Specification discusses the traditional attorney-client fee for service arrangement in terms of a one time charge (FF 2). Yet, the Detailed Description describes Appellants' payment scheme as one where the attorney entity receives more than a single payment for the same service on a periodic basis, for example, annually or biannually (FF 3). Given that the claims recite prohibiting the first entity from accepting fees for referring the second entity to the third entity, taken in connection with more payments (periodic) being received by the attorney entity than as traditionally known,

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we find that the additional payments to the attorney entity would be attributable, at least in part, to the referral which Appellants consider to have value.

Appellants next argument is:

[e]ven assuming the existence of an adequate recognized problem, the Examiner did not articulate a finite number of identified, predictable potential solutions. In fact, quite the opposite, the Examiner remarks that it would have been obvious to provide funds between the third and first entities in claim 1 ‘in the form of a gift or a dinner or an amount of money without calling it a referral fee.’

(Reply Brief 14).

We disagree with Appellants and we agree with the Examiner’s finding that the direction of value from “3 to 1” (Answer 5) is the only direction by which payment can occur between the parties which are in privity as claimed. This is particularly so given that there are only three parties involved in the transaction, and the claims restrict first entity from accepting fees for referring the second entity to the third entity. Thus, contrary to Appellants’ assertions, the finding made by the Examiner that compensation must travel from “3 to 1” is the result of exhausting a finite number of identified potential payors from whom the first entity can be paid based on the confines of the service relationships which exist between these entities.

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We also affirm the rejections of dependent claims 2-3, 5, 6, 11-21, and 24-36, 38-64 since Appellants have not challenged such with any reasonable specificity (*see In re Nielson*, 816 F.2d 1567, 1572 (Fed. Cir. 1987)).

*Pursuant to our authority under 37 C.F.R. § 41.50(b), we enter a new ground of rejection for claims 1-3, 5, 6 11-21, 24-33, 36-60, 63-67 under 35 U.S.C. § 101.*

Each of independent claims 1, 37, 65, 66-67 is drawn to a method of compensation of one party in a three party transaction.

“A principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right.” *Gottschalk v. Benson*, 409 U.S. 63, 67 (C.C.P.A. 1972). The presence of a mathematical algorithm in a claim need not be expressly recited, but may be inherent to the claim. *In re Schrader*, 22 F.3d 290, 293 (Fed. Cir. 1994).

As we have reasonably broadly construed them, independent claims 1, 37, 65, 66-67 do no more than create a series of mathematical relationships as between different variables, namely, the first, second and third entities. In the case of the relationship between the first and second entities, value is owed to the first entity by virtue of its association with the second entity. The relationship between the second and third entities results in a value owed to the third entity by the second entity. The claims then cause third entity to stand in substitution for the second entity for the value owed to the first entity using value derived from the second entity. Thus, we find that

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the independent claims recite nothing more than a mathematical algorithm in which positive and negative values are traded in no more than an equation-like manner until the equations are simultaneously solved.

Moreover, the claims cover any known and unknown use of the concept of using a third party to make payments on behalf of another party. The steps could be performed by any machine, existing or future-devised. Furthermore, the processes as claimed could be accomplished by human activity alone, including through mental processes. In the words of *Gottschalk v. Benson*, 409 U.S. 63, 72 (1972), the claimed processes “would wholly pre-empt the [third party payment practice] and in practical effect would be a patent on the [concept] itself.”

#### CONCLUSIONS OF LAW

We conclude the Examiner did not err in rejecting claims 1-3, 5, 6, 11-21, and 24-67 under 35 U.S.C. § 103(a).

We enter a new ground of rejection pursuant to 37 C.F.R. § 41.50(b) rejecting claims 1-3, 5, 6 11-21, 24-33, 36-60, 63-67 under 35 U.S.C. § 101.

#### DECISION

The decision of the Examiner to reject claims 1-3, 5, 6, 11-21, and 24-67 under 35 U.S.C. § 103(a) is AFFIRMED.

Regarding the affirmed rejection(s), 37 C.F.R. § 41.52(a)(1) provides "Appellant may file a single request for rehearing within two months from the date of the original decision of the Board."

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In addition to affirming the Examiner's rejection(s) of one or more claims, this decision contains a new ground of rejection pursuant to 37 C.F.R. § 41.50(b) (effective September 13, 2004, 69 Fed. Reg. 49960 (August 12, 2004), 1286 Off. Gaz. Pat. Office 21 (September 7, 2004)). 37 C.F.R. § 41.50(b) provides “[a] new ground of rejection pursuant to this paragraph shall not be considered final for judicial review.”

37 CFR § 41.50(b) also provides that the Appellants, WITHIN TWO MONTHS FROM THE DATE OF THE DECISION, must exercise one of the following two options with respect to the new ground of rejection to avoid termination of the appeal as to the rejected claims:

- (1) Reopen prosecution. Submit an appropriate amendment of the claims so rejected or new evidence relating to the claims so rejected, or both, and have the matter reconsidered by the examiner, in which event the proceeding will be remanded to the examiner . . . .
- (2) Request rehearing. Request that the proceeding be reheard under § 41.52 by the Board upon the same record . . . .

Should Appellants elect to prosecute further before the Examiner pursuant to 37 C.F.R. § 41.50(b)(1), in order to preserve the right to seek review under 35 U.S.C. §§ 141 or 145 with respect to the affirmed rejection, the effective date of the affirmation is deferred until conclusion of the prosecution before the Examiner unless, as a mere incident to the limited prosecution, the affirmed rejection is overcome.

If Appellants elect prosecution before the Examiner and this does not result in allowance of the application, abandonment or a second appeal, this case should be returned to the Board of Patent Appeals and Interferences for

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final action on the affirmed rejection, including any timely request for rehearing thereof.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a). *See* 37 C.F.R. § 1.136(a)(1)(iv) (2010).

AFFIRMED; 37 C.F.R. § 41.50(b)

MP

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